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SIPDIS

PASS EB/IFD/ODF FOR ROLAND DEMARCELLUS

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SUBJECT: LATEST ACCOUNTING OF SPAIN'S MADRID DONORS'  
CONFERENCE PLEDGE FOR IRAQ

1. Summary. Spain's government continues to appropriate and disburse money pledged at the Madrid Donors' Conference. Of the USD 160 million pledged for 2003-2004, USD 142.3 million has been appropriated, and USD 122.3 million disbursed. The GOS is working with Iraqi ministries to use the remaining USD 17 million to buy ambulances. Spain's Council of Ministers approved February 18 Spain's USD 20 million pledge for Iraqi elections which is included in Spain's 2003-2004 appropriation. The GOS has not begun planning for the appropriation of the USD 140 million remaining of its Madrid pledge to be disbursed from 2005-2007. End Summary.

1. Econoff received February 17 the latest accounting for Spain's USD 300 million pledge at the Madrid Donors' Conference from Subdirector General for the Mediterranean Carolina Mayeur of Spain's Agency for International Development (AECI). According to Mayeur, Spain has appropriated USD 142.3 million (USD 122.3 million disbursed) out of the USD 160 million budgeted for the years 2003-2004.

20 million in non-reimbursable export credits  
18 million in credits for the printing of Iraqi Dinars  
21 million for humanitarian aid in Umm Qasar  
2.6 million in technical reconstruction expertise  
15.9 million for AECI bilateral projects in 2003  
20 million to the International Reconstruction Fund Facility for Iraq (IRFFI)  
2.5 million to various UN agencies  
17.3 million for the second tranche of Iraqi Dinars  
5 million for the IFC Small Business Finance Facility (SBFF)  
20 million to the IRFFI for democratic normalization in Iraq (not disbursed)

3. According to AECI's Coordinator General of the Office of Iraq Reconstruction Miguel Negrillo, the 17 million in funds outstanding for 2003-2004 has been budgeted and will probably be used for the purchase of ambulances. The Spanish Ministry of Industry and Commerce and the Iraqi Ministries of Health and Planning have been discussing what kind and number of ambulances will be purchased and when.

4. Spain's USD 20 million contribution for the Iraqi electoral process and normalization was pledged in 2004. However, it was only approved by Spain's Council of Ministers on February 18. According to Negrillo, the money will soon be transferred to the appropriate IRFFI account after consultation with the United Nations Development Program (UNDP). The money currently in UNDP accounts will be used for other Iraqi development needs identified by the UN.

5. The GOS has not determined what projects or what timeline will be pursued in the disbursement of the USD 140 million pledged for 2005-2007.

6. Comment. Embassy has followed Spain's Iraq pledge since the October 2004 Donors' Conference. Though the numbers have changed since last reported, Spain is clearly making an effort to appropriate and disburse the funds promised at the Conference. Although not all of 2003-2004's money was spent by the end of 2004, the GOS intends to spend the USD 17 million outstanding. It is clear that Spain's government is committed to Spain's Madrid pledge. We can expect Spain to work with the UN and the government of Iraq to appropriate and disburse the remaining USD 140 million of its USD 300 million pledge. As Second Vice President and Minister of Economy Pedro Solbes told his Director General for International Finance regarding Spain's Iraq pledge, "a promise is a promise."  
MANZANARES